

May 15, 2012

David L. Furth  
Acting Bureau Chief  
Public Safety and Homeland Security Bureau  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

Re: Improving Public Safety Communications in the 800 MHz Band  
WT Docket No. 02-55  
Recommendation to Further Postpone 800 MHz Rebanding Financial True-Up

Dear Mr. Furth:

In its December 9, 2011 *True-Up Deferral Order*,<sup>1</sup> the Federal Communications Commission ("Commission") directed the 800 MHz Transition Administrator, LLC ("TA") to file a report by May 15, 2012 with its recommendation on whether the 800 MHz rebanding financial reconciliation "true-up" date should occur on July 2, 2012, or be further postponed. The TA respectfully recommends that the financial "true-up" date be extended from July 2, 2012 until December 31, 2012.<sup>2</sup> Since the Commission released its *True-Up Deferral Order*, the 800 MHz reconfiguration expenditures paid by Sprint Nextel have increased. A substantial number of licensees, however, have yet to complete rebanding and a true-up as of July 2, 2012, would be incomplete and would not include a significant amount of Sprint Nextel's reconfiguration expenditures.<sup>3</sup>

With respect to TA-approved agreements, as of December 31, 2011, Sprint Nextel and incumbent licensees had executed Frequency Reconfiguration Agreements ("FRAs") and Planning Funding Agreements ("PFAs") with TA-approved cost estimates totaling approximately \$1,083.0 million, not including replacement equipment, and Sprint Nextel had paid approximately \$690.6 million of this amount as advance payments and for work completed to date.<sup>4</sup> This compares to \$1,009.0 million in executed FRAs and PFAs and \$624.4 million paid as of June 30, 2011.<sup>5</sup> With respect to cash expenditures, Sprint Nextel has reported to the TA that as of December 31, 2011, it had incurred, on a cash basis, approximately \$1,559.9 million

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<sup>1</sup> See Improving Public Safety Communications in the 800 MHz Band, *Order*, 26 FCC Rcd 16506 (2011).

<sup>2</sup> The TA further requests that it have six months from the financial "true-up" date to submit a final "true-up" report to the Commission. Therefore, unless further extended, the "true-up" would be performed based on expenditures as of December 31, 2012, with the final "true-up" report issued to the Commission by July 1, 2013.

<sup>3</sup> Consistent with prior years and its program obligations, the TA issues annually, on a calendar-year basis, audited Statements of Program Expenditures that report Sprint Nextel's program related expenditures.

<sup>4</sup> 800 MHz Transition Administrator, LLC, Quarterly Progress Report for the Quarter Ended December 31, 2011, at 31 (filed Mar. 22, 2012) ("*December 2011 Report*").

<sup>5</sup> 800 MHz Transition Administrator, LLC, Quarterly Progress Report for the Quarter Ended June 30, 2011, at 30 (filed Sept. 27, 2011) ("*June 2011 Report*").

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in total incumbent licensee reconfiguration costs, including replacement equipment, and approximately \$324.2 million for its internal costs.<sup>6</sup> This compares to approximately \$1,480.5 million of total incumbent costs and \$316.1 million of Sprint Nextel internal costs as of June 30, 2011.<sup>7</sup> In addition, as of December 31, 2011, approximately 36 percent of the total anticipated FRAs (not including those in the Mexican border for which reconfiguration has not yet started) have not completed actual cost reconciliation or other aspects of the closing process.<sup>8</sup> This compares to approximately 38 percent as of June 30, 2011.<sup>9</sup>

Furthermore, Sprint Nextel has reported that it completed the Broadcast Auxiliary Service (“BAS”) market transition on July 15, 2010,<sup>10</sup> and that as of December 31, 2011, it incurred approximately \$745.6 million in costs associated with the reconfiguration of the 1.9 GHz band.<sup>11</sup> This compares to \$743.8 million in costs as of June 30, 2011.<sup>12</sup> Pursuant to the Commission’s *BAS Cost Sharing Order*, Sprint Nextel sought reimbursement from Mobile Satellite Service (“MSS”) licensees for their *pro rata* portion of the costs to clear the 1.9 GHz spectrum.<sup>13</sup> On February 27, 2012, Sprint Nextel reported that it received a total of \$135 million in reimbursement of costs from MSS entrants.<sup>14</sup>

In its December 9, 2011 *True-Up Deferral Order*, the Commission stated that based on the progress to date of the 800 MHz rebanding it would be premature for the TA to conduct the required financial “true-up” because it would fail to take into account a large portion of Sprint Nextel’s eventual cost obligation. The TA believes that the true-up remains premature at this

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<sup>6</sup> *December 2011 Report* at 32. Amounts incurred since December 31, 2011 will be subject to audit as part of the preparation of the 800 MHz Reconfiguration Statement of Program Expenditures as of December 31, 2012.

<sup>7</sup> *June 2011 Report* at 31. Sprint Nextel’s internal costs remain subject to TA review for creditability and final adjustments.

<sup>8</sup> See *December 2011 Report* at 36 and Apps. 1A, 1B, 3A, 3B and 3C.

<sup>9</sup> See *June 2011 Report* at 35 and Apps. 1A, 1B, 3A, 3B and 3C.

<sup>10</sup> Letter from Robert H. McNamara, Sprint Nextel Corporation, to Marlene H. Dortch, Secretary, Federal Communications Commission dated July 15, 2010.

<sup>11</sup> *December 2011 Report* at 33. BAS expenditures are not subject to audit by the auditor of the 800 MHz Reconfiguration Statement of Program Expenditures.

<sup>12</sup> *June 2011 Report* at 32. In total, including BAS relocation expenditures, as of December 31, 2011, Sprint Nextel stated that from the inception of the program it has incurred approximately \$3.1 billion of costs directly attributable to the 800 MHz spectrum reconfiguration program. See Sprint Nextel Corporation, Annual Report (Form 10-K) at F-29 (filed Feb. 27, 2012). This compares to approximately \$3.0 billion of costs as of June 30, 2011. See Sprint Nextel Corporation, Quarterly Report (Form 10-Q) at 14 (filed Aug. 4, 2011).

<sup>13</sup> Improving Public Safety Communications in the 800 MHz Band, *Fifth Report and Order, Eleventh Report and Order, Sixth Report and Order, and Declaratory Ruling*, 25 FCC Rcd 13874 (2010).

<sup>14</sup> See Sprint Nextel Corporation, Annual Report (Form 10-K), at F-29 (filed Feb. 27, 2012).

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time and that additional rebanding expenditures are required to provide a meaningful report of Sprint Nextel's total rebanding costs for both the 800 MHz rebanding and for the relocation of BAS licensees. Therefore, the TA recommends an extension of the "true-up" process until December 31, 2012, and proposes that the TA file a report with the Public Safety and Homeland Security Bureau by November 15, 2012, with its recommendation as to: (1) whether rebanding has made sufficient progress that conducting the "true-up" as of December 31, 2012, would be appropriate; or (2) whether the "true-up" deadline should be extended for an additional period.

Please let me know if you have any questions.

Sincerely,



Brett S. Haan  
800 MHz Transition Administrator, LLC